PPP Forgiveness Accounting & Recordkeeping

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

If you have submitted a Paycheck Protection Program application and have received a notice of approval status, the next step is to ensure that your accounting system is set up appropriately. It is very important that your accounting system is set up prior to spending the PPP funds since properly tracking and documenting your allowable expenses will be critical for the PPP debt forgiveness calculation. Please refer to our recommendations below and implement them as best you can prior to the funding of your loan.

BANKING

* CRITICAL: Open a new bank account for the Paycheck Protection Loan Program funds to be deposited into
* Only allowable expenses should come out of the PPP bank account during the 8-week covered period
* Payroll
* Rent
* Health/Dental Insurance
* Employer Retirement Contributions
* Utilities
* Allowable utility expenses have not yet been defined by the SBA
* Utilities we expect to be included: Electric, Gas, Water, Telephone, Internet
* Make payments for allowable expenses directly out of the new PPP bank account whenever possible
* Consider setting up direct pay for all utilities, rent and insurance payments
* Payroll can be reimbursed by the PPP bank account to the operating account that it normally runs through
* We encourage you to reimburse this for each payroll run on the same day as the actual payroll run
* Payroll issues to consider:
* Employer payroll tax (FICA & Medicare) is not currently allowed to be included
* The compensation of an individual employee in excess of an annual salary of $100,000, prorated as necessary, may not be paid with PPP proceeds

ACCOUNTING

* Setup a PPP class, job code, or cost center in your financial accounting system
* All allowable expenses should be recorded under the PPP class, job or cost center (For QB users: if you are already using classes for a different purpose, we recommend setting up a PPP “job” within QB)
* You can then run a P&L by class for PPP that will show total allowable expenses
* You will also be able to provide a P&L detail report for the PPP class with general ledger detail for every transaction

DOCUMENTATION

* Invoices or other documentation should be saved for every allowable expense
  + Here is a link to an Excel file (downloadable file) that you can use to track the expenses as you incur them during the 8 weeks:
  + [PPP-Loan-ForgivenessTracker.xlsx](https://myboyum.com/wp-content/uploads/2020/04/PPP-Loan-ForgivenessTracker.xlsx)

We expect the lenders to audit this documentation very closely, so we recommend taking these steps now to ensure the allowable expense records are as clean and straight-forward as possible in order to maximize the forgiveness amount.